

# **Appendix A: DoD EC Report on Federal Purchasing and Payment**

## **A.1. Summary**

The purpose of this appendix to the DoD Electronic Business/Electronic Commerce (EB/EC) Strategic Plan is to provide the DoD response to the Office of Management and Budget (OMB) memorandum M-99-02 of 25 November 1998, subject: "Agency Electronic Commerce Reports on Federal Purchasing and Payment". This appendix follows the current OMB guidance, and is divided into two major subsections. The first subsection identifies DoD FY 1998 EC Activities for Purchasing and Payment and the second major subsection identifies DoD EC Implementation Plans for FY 1999 and FY 2000.

The first major subsection, dealing with FY 1998 EC initiatives, discusses the following topics:

- **Activities Undertaken in FY 1998 to Use EC to Improve Purchasing and Payment Functions**
- **Efforts Undertaken in Furtherance of Specified "Agency Procedures"**
- **Volume and Dollar Value of DoD EC Transactions**
- **Vendor Data Collection and Management**

The Subsection on DoD EC Implementation Plans for FY 1999 and FY 2000 describes the major Defense EC initiatives planned or ongoing and their linkages to Federal policy principles and EC building blocks. Additionally, this portion of the report identifies milestones and measures of effectiveness being used with these initiatives and the DoD management structures and processes being used to integrate coordinate and implement EC. Finally, the report identifies the individual ultimately responsible for coordination of all EC across the Department.

The Department is a large and complex organization that employs a decentralized execution for many initiatives that would be considered large in other agencies. The initiatives cited herein are indeed major initiatives, many of which already have had a major positive impact on DoD processes and have improved the support provided to the soldier, sailor, airman and marine. The picture of EC implementation presented in this appendix is an accurate portrayal of an agency that is rapidly adopting EB/EC as the cornerstone of its Revolution in Business Affairs. The Department is in compliance with the Federal Strategic Plan goal of end-to-end electronic processes.

## **A.2. Background**

### ***A.2.1. EC Activities in FY 1998***

Under the Office of Procurement Policy (OFPP) Act and the Clinger-Cohen Act, the OMB oversees Federal agencies' implementation of EC in their acquisition activities. Among other things, Section 30 of the OFPP Act requires that the OFPP Administrator submit to the Congress, by March 1, 1990 and each year thereafter, a report on the implementation of EC by Federal agencies. Accordingly, DoD and the other Federal agencies are required to provide descriptions of EC activities to OMB for FY 1998.

### ***A.2.2. Implementation of the Federal Government's Strategic Planning for EC Activities***

Section 30 of the OFPP Act also calls for the development of a "strategic plan for the implementation of a Government-wide electronic commerce capability." The Electronic Processes Initiatives Committee (EPIC) submitted the Federal government's strategic plan for EC to the Congress in March 1998. That strategic plan outlined how the Federal government can take advantage of EC to improve buying and paying processes. The strategic plan described the actions, or "building block" activities, that Federal agencies need to undertake in order for the Federal government to turn the potential of EC into a reality. To support this requirement, DoD and the other Federal agencies are required to disclose to OMB how they are implementing the activities called for in the Federal strategic plan.

### A.3. DoD FY 1998 EC Activities for Purchasing and Payment

#### A.3.1. Efforts Undertaken in FY 1998 to Employ EC to Improve Purchasing and Payment Functions

##### A.3.1.1. Major Activities

The following were DoD's major EC buying and paying activities during FY 1998:

- Establish paper-free contracting as the norm. This large initiative includes the following (section A.5.1.1):
- Centralized Contractor Registration (CCR)
- Standard Procurement System (SPS)
- Defense Procurement Payment System (DPPS)
- Electronic Funds Transfer (EFT)
- Technical Data Package Material Information Systems (TDPMIS)
- Reengineer service member household goods processing.
- Redesign policies and practices for acceptance of goods and services.
- Expand the Prime Vendor program.
- Reengineer the transportation process.
- Create a paperless DD-250, Material Inspection and Receiving Report.
- Achieve ninety-percent use of purchase cards for transactions less than \$2500.
- Expand the use of electronic catalogs and electronic malls within the DoD.
- Implement the Defense Travel System.
- Expand DoD Business Opportunities (DoD BusOpps)

##### A.3.1.2. Efforts related to Government-Wide Building Blocks

The following table highlights the DoD activities that were undertaken in support of the Government-wide building blocks enumerated in Section 6 of *Electronic Commerce for Buyers and Sellers*.

| BUILDING BLOCK   | SUPPORTING DOD ACTIVITIES   |
|--|---|
| 1. Expanding and enhancing Electronic Catalogs   | <ul style="list-style-type: none"><li>• Use of Purchase Cards</li><li>• Expanded use of E-Catalogs and E-Malls</li></ul>  |
| 2. Increasing and improving payment utilities through purchase card implementation, invoice and remittance processing, and Intra-governmental Payment System (IGOTS) | <ul style="list-style-type: none"><li>• Paper-free Contracting</li><li>• Prime Vendor</li><li>• Reengineer Transportation Process</li><li>• Use of Purchase Cards</li></ul>   |
| 3. Migrating to standard commercial services for electronic buyer and seller ID authentication   | <ul style="list-style-type: none"><li>• Paper-free Contracting</li><li>• Expanded use of E-Catalogs and E-Malls</li></ul>   |
| 4. Making contract formation and administration easier and more effective  | <ul style="list-style-type: none"><li>• Paper-free Contracting</li><li>• Reengineer Household Goods</li><li>• Redesign Acceptance Policies and Practices</li><li>• Prime Vendor</li><li>• Reengineer Transportation Process</li><li>• Paperless DD Form 250</li><li>• Implement DTS</li><li>• DoD BUSOPPS</li></ul> |
| 5. Use contract writing systems to automate  | <ul style="list-style-type: none"><li>• Paper-free Contracting</li></ul>  |

| BUILDING BLOCK  | SUPPORTING DOD ACTIVITIES   |
|---|---|
| buying-related business functions   |   |
| 6. Standard systems' interfaces for accounting, reporting and increasing access | <ul style="list-style-type: none"> <li>• Paper-free Contracting</li> <li>• DoD BUSOPPS</li> </ul> |
| 7. Fostering Government and commercial EC partnerships                          | <ul style="list-style-type: none"> <li>• Paper-free Contracting</li> <li>• DoD BUSOPPS</li> </ul> |

The Department is expanding and enhancing electronic commerce through the expanded use of purchase cards and the expanded use of electronic catalogs and electronic malls. The DoD purchase card program is a component of the GSA SmartPay initiative. The DoD purchase card program is the largest of all the SmartPay initiatives and is gaining more participants each month. The combined travel, purchase, and fleet card programs of the DoD comprise about fifty percent of the Federal government's SmartPay program.

The DoD also has several

e-malls: Army, Navy, and Air Force, some of the Defense Agencies, and a few of the combatant commands have e-malls. These e-malls, together with the expanded use of purchase cards, have been highly successful in capturing the high-volume, small value transactions. The Department now is in the process of creating a common front and feel for these e-malls.

The Department has increased and improved payment utilities using purchase card implementation, invoice and remittance processing and Treasury's USA Card through several initiatives including the paper-free contracting, prime vendor program, the reengineering of transportation documentation and financial processing, and the purchase card program. Additionally, the Prime Vendor programs, now being applied in the areas of Defense pharmaceuticals and several clothing lines, have proved highly successful in improving remittance processing. The reengineering of Transportation documentation and associated financial processing is making greater use of plastic card technology with similar success. Finally, the implementation of Certifying Officer legislative authority within the DoD purchase card program has essentially outsourced invoice and remittance processing, so that the Defense Finance and Accounting Service (DFAS) pays only one locally-certified monthly bill to a card-issuing bank instead of hundreds of bills to individual merchants. DoD's significant activity supporting the IGOTS portion of this building block is its active participation in the Federal IGOTS initiative. DoD has senior representatives both on the initiative project team and the Interagency Advisory Board.

The DoD pilots to implement the SPS and CCR are key components of the paper-free contracting initiative, and will implement the migration to standard commercial services for electronic buyers and seller identification authentication. The CCR, discussed in Section A.4.1.5, generates the database on which other DoD contracting activities rely for electronic authentication. Additionally, the recognition of a contractor in an e-catalog or e-mall constitutes a certification that the mall sponsor has identified the vendor.

A major over-arching goal of the Defense Reform Initiative has been to make contract formation and administration easier and more effective. The paper-free contracting initiative is the principal effort to improve contract formulation and administration. However, several other initiatives are directly supporting this building block, including:

- The initiative to reengineer the processing of household goods processing when a service member is transferred;
- The initiative to redesign the way in which DoD conducts acceptance of vendor goods and services, including the development of an electronic DD Form 250 which is the principal document for the acceptance of goods and services from a vendor;
- The prime vendor system;
- The Reengineering of DoD transportation documentation and financial processing to include the application of the SmartPay Purchase and travel cards;
- The development of the Defense Travel System (DTS) and the application of a public key infrastructure to permit paperless processing of travel settlements; and
- The development of the BUSOPPS architecture to link various business opportunities postings used by the Services and the Defense Agencies and the Commerce Business

### Daily or new GSA Electronic Posting System.

The SPS pilots have demonstrated contract-writing and contract administration systems that automate buying related business functions. Ultimately, SPS (a component of the paper-free contracting initiative) will provide a single, automated contract writing system for use across the Department. The Department has many standard system interfaces for accounting and reporting and increasing access. DoD BUSOPPS provides solicitation interfaces to CBD and EPS. The DPPS, within the paper-free contracting initiative, will provide paying transaction tracking, while DoD use of the GSA card programs will facilitate interfaces to accounting and reporting, and access to information. The Department fosters government and commercial EC partnerships through participation in numerous commercial groups, committees, and councils. The products of these collaboration with the private sector is manifested in the successful Defense Reform Initiatives in the areas of paper-free contracting and DoD BUSOPPS in particular, but in all the reform initiatives in general. The Department recognizes that these initiatives will not be fully successful without the involvement of our current and future vendors.

#### A.3.1.3. Additional Efforts

##### A.3.1.3.1. *Additional efforts not discussed in section A.4.1.2*

Section 30 (c) of the OFPP Act, 41 U.S.C. 426(c), specifies four specific requirements for systems, technologies, procedures, and processes established pursuant to this section. They are: (1) uniform implementation; (2) consideration of existing EC/EDI systems and the Federal Acquisition Computer Network (FACNET); (3) facilitates access to Federal procurement opportunities; and (4) agency requirements and solicitations notices made through single, Government-wide point of entry. The Department is complying with these requirements through its participation in numerous federal and private sector organizations.

In furtherance of the first requirement, the Department is an active participant in the Federal EDI Standards Management Coordinating Committee (FESMCC), the American National Standards Institute (ANSI) and its several area-specific committees, and the United Nations Electronic Data Interchange for Administration, Commerce, and Transportation (UN/EDIFACT).

With respect to requirements two and three, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council have mutually agreed upon an interim rule amending the Federal Acquisition Regulation (FAR). This amendment will implement Section 850 of the National Defense Authorization Act for Fiscal Year 1998 (PL 105-85) by removing FACNET specific terms and policies and replacing them with more flexible EC policies<sup>1</sup>.

Supporting the fourth requirement, the Department is both supporting the electronic Commerce Business Daily (CBD) and, through the BUSOPPS initiative, is supporting development of the Federal Electronic Posting System (EPS). The CBD is serving as a single, Government-wide point of entry for requirements and solicitations. Should it be adopted, the EPS will provide that same capability plus many others.

##### A.3.1.3.2. *Volume and Dollar Value of DoD EC Transactions*

Section 30 (e) (4) of the OFPP Act requires "an agency-by-agency summary of the volume and dollar value of transactions that were conducted using electronic commerce methods during the previous calendar year." The following table provides a summary of the Department's EC statistics in 1998<sup>2</sup>.

#### A.3.1.4. Participation in interagency groups

The Department participated in a very large number of interagency groups in FY 1998. The activities are shown in the following table:

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<sup>1</sup> <http://www.acq.osd.mil/dp/dars/pubcmnts/97304.txt>

<sup>2</sup> <http://epls.arnet.gov/cgi-bin/WebObjects/ecstat/ECStatsPub.woa/>

## INTERAGENCY EC GROUPS

| GROUP  | DESCRIPTION  | SPONSOR/CONTACT   |
|--|--|---|
| <b>Electronic Processes Initiatives Committee (EPIC)</b> | President's Management Council Committee that meets periodically to deal with high-level EC issues. Chaired by OMB. Representatives from DoD, Education GSA, and Treasury.         | President's Management Council<br>Andrew Gillen 202-395-5835    |
| – EPIC Support Group                                     | Ad hoc EPIC staff support group that meets monthly to coordinate EPIC issues.  | EPIC<br>Andrew Gillen 202-395-5835                              |
| – Buying and Paying Task Force (Recently Concluded)      | Created by EPIC and chaired by DoD. Promulgated strategies for implementing end-to-end EC for high-volume low dollar transactions.   | EPIC<br>Jerry Williams 703-602-0369                             |
| – Card Technology Task Force (Inactive)                  | Produced an implementation plan for Federal use of smart cards.  | EPIC<br>David Temoshok 202-208-7655                             |
| – Intergovernmental Transfer System (IGOTS)              | Advisory group to help plan the implementation of IGOTS using card technology.   | EPIC<br>Ken Carfine 202-874-9248                                |
| <b>EC Customer Advisory Board (ECCAB) (Inactive)</b>     | Cross-functional group (CIO, CFO, Procurement Council) that meets periodically to discuss EC policy and programmatic issues.   | GSA<br>John Thomas 202-208-4552                                 |
| <b>Electronic Commerce Program Office (ECPO)</b>         | Organization funded by GSA to monitor, coordinate, and implement Federal EC. Originally the Electronic Commerce Acquisition Program Management Office created in response to FASA. | GSA/DoD<br>Tony Trenkle 202-501-1667<br>Paul Grant 703-604-1477 |
| – EC Coordinators Group                                  | Group of agency-designated EC reps that meets bi-monthly to discuss EC policies and projects.  | ECPO<br>Jim Hunt 202-501-6901                                   |
| – Federal EDI Standard Management Coordinating Committee | Committee helping to coordinate federal adoption of national and international EDI standards.  | ECPO<br>Teresa Sorrenti 703-305-6514                            |
| – Interagency Electronic Grants Committee (IAEGC)        | Group created by ECPO to coordinate the implementation of common electronic grants systems per Access America  | ECPO<br>Ann Fisher 202-366-4288<br>Brad Stanford 703-696-5420   |
| <b>Interagency Acquisition Internet Council (IAIC)</b>   | Working-level group that meets monthly to exchange ideas, work initiatives related to the use of Internet technology for procurement transactions.                                 | Ken Stepka 202-358-0492   |
| <b>Federal PKI Steering Committee</b>                    | Provides a forum for Federal agencies to share information and work collaboratively on PKI matters.  | GITSB<br>Richard Guida<br>202-622-1552                          |
| <b>Electronic Commerce Committee</b>                     | CFO Council committee that serves as a board of directors for FITEC  | CFO Council<br>Sky Leshner 202-208-4701                         |
| – Financial Implemen-                                    | Interagency team of part and full-   | CFO Council EC Committee  |

| GROUP   | DESCRIPTION  | SPONSOR/CONTACT                              |
|---|--|--|
| tation Team for Electronic Commerce (FITEC)     | time employees working on a number of finance EC projects.   | Dan McGrath 202-218-8474                     |
| <b>White House Interagency Task Force on EC</b> | Coordinate the implementation of the President's Memorandum of 7/1/97 dealing with national EC Policy. | White House<br>Elliot Maxwell (202) 456-1414 |

**Legend**

**Bold** = Main Group, Subgroups below

**Note:** There are other groups that deal with EC issues but are not strictly related to EC.

A.3.1.5. Vendor Data Collection and Management

The Department collects vendor data under the CCR concept<sup>3</sup>. The CCR is the primary repository for trading partner information required in order for vendors to conduct business with the Department. The CCR is a database consisting of information pertaining to procurement and financial business transactions. The CCR was created to comply with the Debt Collection Improvement Act of 1996, simplify and streamline procurement, and increase visibility of vendor sources for specific goods and services.

A.3.1.5.1. Vendor data being collected

The Department is collecting the following vendor data as part of CCR registration. Complete registration processes may be found at <http://www.fecrc.com/whatsnew/ccregist.html>.

- General Information
  - Legal Business Name
  - Date Business Started
  - Company Address and Contact information
  - Date Accounting Period Closes
  - DUNS Number
  - Average Number of Employees
  - CAGE Code (if the company has one)
  - Average Annual Revenue
- Type of Business
  - Corporate Status Code
  - Classifications of business
  - Where incorporated
- Goods and Services
- SIC Codes
  - PSC Codes (optional)
  - FIC Codes (optional)
- Financial Information for Contract Payment
  - Financial Institution
  - Authorization Date
  - ABA Routing Trans ID No.
  - ACH Coordinator for Financial Institution
  - Remittance Address for payment statement
  - Registrant's Accounts Receivable Contact

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<sup>3</sup> <http://ccr.edi.disa.mil/ccragent/plsql/ccr.welcome>

- Account Number
- Taxpayer Identification Number (TIN)

(The following optional information is maintained if submitted)

- EDI Parameters
  - Financial Service Provider
  - EDI Systems Media Capability
  - EDI Translation Type
  - EDI Capabilities
  - EDI Translation Code
  - EDI Software ID and Version
  - E-mail address or VAN/VAS Information
- Registration Acknowledgement
  - Name
  - Acknowledgement Date
  - Phone
  - CCR Correspondence preferences

#### *A.3.1.5.2. How vendor data is collected*

Vendor data is collected as a part of CCR registration. It is additionally validated with the Dun & Bradstreet "DUNS" database and the Defense Logistics Information Service administered Commercial and Government Entity (CAGE) database.

#### *A.3.1.5.3. How vendor data is used*

Vendor data is used today to validate vendor identification, to assure vendor identity in past performance databases, and to permit payment by EFT in support of the Prompt Payment Act and the Debt Collection Improvement Act.

### **A.4. DoD EC Implementation Plans for FY 1999 and FY 2000**

This subsection identifies how the Department is implementing the government-wide strategic plan, *Electronic Commerce for Buyers and Sellers*. In developing this plan, the Department worked collaboratively across procurement, financial, information technology (IT), and program functions. These plans are consistent with DoD budget submissions, 5-year financial management plans, DoD IT planning under the Clinger-Cohen Act, and strategic and performance plans submitted under the Government Performance and Results Act (GPRA).

This plan identifies the major initiatives that are being undertaken in FY 1999 and will be undertaken in FY 2000 to implement the building block activity discussed in the government-wide strategic plan. Secondly, this plan establishes estimated completion dates for major initiatives, and finally it identifies the management structures and/or processes that will be employed to achieve these initiatives.

#### **A.4.1. Major Initiatives**

The following major initiatives are being undertaken in FY 1999 and will be undertaken in FY 2000 to implement the building block activity discussed in the government-wide strategic plan. The following DoD major EC buying and paying initiatives are planned or are ongoing:

| <b>Initiative Name</b>   | <b>FY 1999 Initiative</b> | <b>FY 2000 Initiative</b> |
|--|---------------------------|---------------------------|
| Establish paper-free contracting as the norm                         | Yes                       | Yes                       |
| Reengineer service member household goods processing                 | Yes                       | Yes                       |
| Redesign policies and practices for acceptance of goods and services | Yes                       | Yes                       |
| Expand the Prime Vendor program                                      | Yes                       | Yes                       |

| <b>Initiative Name</b>   | <b>FY 1999 Initiative</b> | <b>FY 2000 Initiative</b> |
|--|---------------------------|---------------------------|
| Reengineer the service member Permanent Change of Station process              | Yes                       | Yes                       |
| Reengineer the transportation process  | Yes                       | Yes                       |
| Create a paperless DD Form 250   | Yes                       | Yes                       |
| Achieve ninety-percent use of purchase cards for transactions less than \$2500 | Yes                       | Yes                       |
| Expand the use of electronic catalogs and electronic malls within the DoD      | Yes                       | Yes                       |
| Deploy the Defense Travel System   | Yes                       | Yes                       |
| Implement Standard Procurement System  | Yes                       | Yes                       |

A.4.1.1. How DoD Initiatives support Government-wide policy principles

The following table describes how each major initiative supports government-wide and DoD policy principles:



| FEDERAL POLICY PRINCIPLES   | APPLICABLE DOD INITIATIVES  |
|---|---|
| Use EC to make the buying and payment process easier and more efficient for both buyers and sellers.  | <ul style="list-style-type: none"> <li>• Establish paper-free contracting as the norm</li> <li>• Reengineer Household Goods processing</li> <li>• Redesign Acceptance Policies and Practices</li> <li>• Expand Prime Vendor</li> <li>• Reengineer Transportation Processes</li> <li>• Implement paperless DD Form 250, Material Inspection and Receiving Report</li> <li>• Maintain 90% Use of Purchase Cards for Purchases Less Than \$2500</li> <li>• Expand use of E-Catalogs and E-Malls</li> <li>• Deploy Defense Travel System</li> </ul> |
| Use EC to facilitate best value buying and paying.  | <ul style="list-style-type: none"> <li>• Establish paper-free contracting as the norm</li> <li>• Expand use of E-Catalogs and E-Malls</li> <li>• Expand use of Purchase Cards</li> </ul>  |
| Take advantage of proven commercial applications of electronic commerce.                              | <ul style="list-style-type: none"> <li>• Establish paper-free contracting as the norm</li> <li>• Reengineer Household Goods processing</li> <li>• Redesign Acceptance Policies and Practices</li> <li>• Expand Prime Vendor</li> <li>• Reengineer Transportation Processes</li> <li>• Implement paperless DD Form 250, Material Inspection and Receiving Report</li> <li>• Maintain 90% Use of Purchase Cards for Purchases Less Than \$2500</li> <li>• Expand use of E-Catalogs and E-Malls</li> <li>• Deploy Defense Travel System</li> </ul> |
| Outsourcing transaction processing.   | <ul style="list-style-type: none"> <li>• Reengineer Household Goods processing</li> <li>• Maintain 90% Use of Purchase Cards for Purchases Less Than \$2500</li> <li>• Deploy Defense Travel System</li> </ul>  |
| Assign financial liability for losses commensurate with ability to manage and mitigate related risks. | <ul style="list-style-type: none"> <li>• Establish paper-free contracting as the norm</li> <li>• Expand Prime Vendor</li> <li>• Implement paperless DD Form 250, Material Inspection and Receiving Report</li> <li>• Maintain 90% Use of Purchase Cards for Purchases Less Than \$2500</li> <li>• Expand use of E-Catalogs and E-Malls</li> </ul>   |

Paper-free Contracting. The DoD paper-free contracting initiative supports all DoD policy principles and four of five government-wide policy principles. It was first introduced in the Defense Reform Initiative Report (DRIR) and followed-up in Management Reform Memorandum (MRM) #2 and Defense Reform Initiative Directive (DRID) #32. This initiative endeavors to apply the best practices and proven applications from the private sector to eliminate paper from the contracting process. As an element of this initiative, the Department is adopting commercial identifiers that will ease the item identification process in both the public and private sectors. Among the technical tools that support this initiative are the CCR, the SPS, the DPPS, Electronic Funds Transfer (EFT), and the TDPMIS. The adoption of EFT to pay vendors is an example of a proven commercial application that make the process more efficient for both buyers and sellers. The adoption of EC standards and appropriate security are prerequisites to make EFT work and fosters trust and confidence in conducting paper-free contracting with the Department. As each of the paper-free system components are built, DoD ensures that, where feasible, they incorporate Commercial Off-the-Shelf (COTS) solutions and do not prohibit or impede the use of new or competing technologies.

Reengineer Household Goods. The initiative to reengineer and streamline the process which contracts to move service member's household goods between duty stations was first advanced in the DRIR and subsequently detailed in MRM #6. It supports three DoD policy principles and two Federal policy principles. The shipment of household goods is a buying and payment process between moving and shipping companies that provide this service and the Department, which acts as contracting agent on behalf of the Service member. The reengineering of this process includes the adoption of the DoD policy principles of best business practices, EC standards, and COTS solutions while ensuring sufficient flexibility is retained to permit future adoption of new technologies. Similarly, this reengineering process takes

advantage of commercial applications of EC to make the buying and payment process easier and more efficient for both the buyers and sellers.

Redesigning Acceptance Policies and Practices. The redesign of acceptance policies and practices of the Department is a streamlining initiative advanced in MRM #10. It supports three DoD policy principles and two government-wide policy principles. The initiative is to review the DoD source-acceptance procedures with the view of adopting commercial source-acceptance business procedures, which are significantly less expensive with no apparent loss in effectiveness. While the principal thrust of the initiative is to eliminate the requirement for source-acceptance, it charges the participants to consider "alternative methods", which permits application of EC to the solution set. Where complete elimination is not appropriate, such EC solutions may replace paper acceptance with EC-based technologies. At a minimum the review of the acceptance policies will result in a streamlined buying process.

Prime Vendor. The prime vendor initiative was first outlined in the DRIR and followed-up in MRM #12 and DRID 45. The initiative supports all five DoD policy principles and four government-wide policy principles. The prime vendor concept identifies, through a competitive process, a single source for a category of supplies. Through the identification of high and low stock limits and either access to actual inventory data or the establishment of routine restocking periods, the single source is named to maintain the inventory. This eliminates the requirement for the government buyer or user to maintain large inventories of stock on hand. The initial large-scale application of this concept was for DoD pharmacies and dining facilities, and the initiative is to expand it to many other areas. The prime vendor concept requires the best commercial business practices, EC standards, and COTS solutions are applied to permit global data sharing with the prime vendor. It also requires appropriate security be maintained, for example when dealing with narcotic quantities and deliveries. The prime vendor initiative takes advantage of proven commercial applications to communicate the inventory quantities, which in turn eases and makes more efficient the associated buying and payment.

Reengineer Transportation Documentation and Financial Processes. The initiative to reengineer and streamline Defense Transportation Documentation and Financial Processes was first advanced in MRM #15. This reengineering initiative supports three DoD policy principles and two government-wide policy principles. The initiative involves the reengineering of the transportation documentation, billing, collection, and payment process. Three areas of immediate focus for this initiative are the Transportation Account Code Process; the use of purchase cards for paying airlift, sealift, domestic freight, and express package bills; and the elimination of Government Bills of Lading (GBLs) for domestic express carrier movements. The reengineering of this process includes the adoption of the DoD policy principles of best business practices, EC standards, and COTS solutions while ensuring sufficient flexibility is retained to permit future adoption of new technologies. Similarly, this reengineering process takes advantage of commercial applications of EC to make the buying and payment process easier and more efficient for both the buyers and sellers.

Paperless DD Form 250, Material Inspection and Receiving Report. The initiative to reengineer the DD Form 250 was introduced by DRID #33. This initiative supports all five DoD and three government-wide policy principles. The DD Form 250 is fundamental to most DoD material receipt actions, and therefore is pervasive throughout the Department. Reengineering the material inspection and receiving process into an EC process will have a significant impact across the Department. The reengineering will take advantage of best business practices, industry EC standards and COTS solutions and be sufficiently flexible so as not to impede the future use of new technologies. Application of proven commercial applications will ensure the new "electronic DD 250" makes the process of material inspection and receipt, and thus buying and payment, easier and more efficient for both buyers and sellers. Finally, a key trait of this reengineered product must be that it fosters trust and confidence in the process, i.e., the paying entity must be assured that the electronic receipt document is valid. The reengineered process must assign the risks across the stakeholders in the process.

Ninety-Percent Use of Purchase Cards for Purchases Less Than \$2500. The initiative to induce a broad application of purchase cards (formerly known as IMPAC purchase cards) for high volume, low cost Defense purchases by FY 2000 was advanced in Chapter 1 of the DRIR. This initiative supports four DoD and three government-wide policy principles. This reengineering effort has applied best business practices, industry EC standards, and COTS solutions.

Expanded use of E-Catalogs and E-Malls. The initiative to increase the use of electronic catalogs and electronic malls was advanced in Chapter 1 of the DRIR. This initiative supports four DoD and three government-wide policy principles. The expansion of E-Catalogs and E-Malls, coupled with the

widespread use of purchase cards, significantly increases the volume of goods and services available to DoD activities, worldwide. To ensure the efficiency and competitiveness of these catalogs and malls they must apply best business practices, industry EC standards, and COTS solutions, as well as instill a confidence in the security of the transaction from both the buying and paying standpoint. The E-catalogs and E-malls must take advantage of proven commercial applications, use EC to make the buying and paying processes easier and more efficient for both parties and must assign financial liability for losses commensurate with ability to manage risks. Additionally, the application of E-catalogs and E-malls permit comparison-shopping which should lead to best value purchases by DoD buyers. The DoD e-malls must emulate Internet success stories like <http://www.amazon.com>, <http://www.borders.com>, and <http://www.landsend.com>, etc. Most recently, the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (H.R. 3616), section. 332, "Defense -Wide Electronic Mall System for Supply Purchases" requires elimination of duplication and overlap among DoD electronic catalogs; and ensuring that such catalogs utilize common technologies and formats.

Deploy Defense Travel System (DTS). The initiative to reengineer DoD administrative travel process was first advanced in Chapter 1 of the DRIR. The development of the DTS supports three DoD policy principles and two government-wide policy principles. DTS is an end-to-end system that authorizes travel, identifies travel needs and acquires travel services, approves travel settlements, and reimburses travelers via EFT. The DTS was reengineered applying the DoD policy principles of best business practices, EC standards, and COTS solutions while ensuring sufficient flexibility is retained to permit future adoption of new technologies. Similarly, this reengineering process takes advantage of commercial applications of EC to make the buying and payment process easier and more efficient for both the buyers and sellers.

#### A.4.1.2. How the DoD Purchasing and Payment initiatives support the building blocks in the Federal strategic plan

The following table aligns the DoD Initiatives with the Government-wide building blocks enumerated in section 6 of *Electronic Commerce for Buyers and Sellers*.

| BUILDING BLOCK                         | APPLICABLE DOD INITIATIVES  |
|--|---|
| Electronic Catalogs                    | <ul style="list-style-type: none"> <li>Expand use of Purchase Cards</li> <li>Expand use of E-Catalogs and E-Malls</li> </ul>  |
| Payment Utilities                      | <ul style="list-style-type: none"> <li>Expand paper-free contracting</li> <li>Expand Prime Vendor</li> <li>Reengineer Transportation processes</li> <li>Expand use of Purchase Cards</li> </ul>   |
| Buyer and Seller ID and Authentication | <ul style="list-style-type: none"> <li>Expand paper-free contracting</li> <li>Expand use of E-Catalogs and E-Malls</li> </ul>   |
| Contract Formation and Administration  | <ul style="list-style-type: none"> <li>Expand Paper-free contracting</li> <li>Reengineer Household Goods</li> <li>Redesign Acceptance Policies &amp; Practices</li> <li>Expand Prime Vendor</li> <li>Reengineer Transportation processes</li> <li>Expand paperless DD Form 250</li> <li>Deploy DTS</li> </ul> |
| Automated Contract Writing Systems     | <ul style="list-style-type: none"> <li>Expand paper-free contracting (primarily SPS)</li> </ul>   |
| Finance Systems Interfaces             | <ul style="list-style-type: none"> <li>Expand paper-free contracting (primarily DPPS)</li> </ul>  |
| Change Management                      | <ul style="list-style-type: none"> <li>Expand paper-free contracting</li> </ul>   |

Paper-free Contracting. The broad reaching paper-free contracting initiative supports all but one of the building blocks in the Federal buying and paying model. Components of the initiative provide specific support of the various building blocks. The DPPS is a DFAS principal initiative to upgrade payment utilities using data warehousing and EC techniques. Similarly, both Contract Formulation and

Administration and Automated Contract Writing Systems are functions under development in the SPS. The Department's adoption of DPPS and its use of EFT satisfy Finance Systems Interfaces building block. Use of Purchase Cards. Purchase Cards support the E-catalogs building blocks by providing an easy, widely accepted payment procedure. Purchase cards are a payment utility and thus, support that building block.

Expanded use of E-Catalogs and E-Malls. Clearly, expanded DoD use of E-catalogs and E-malls supports the E-catalog building block but, additionally, it provides a form of seller authentication: the vendors offering goods and services in the DoD Malls have received some degree of screening to satisfy basic Federal Acquisition Regulation requirements.

#### A.4.1.3. Financial management impact of Initiatives Material to DoD Financial Operations

While no single initiative qualifies as being uniquely material to DoD's financial operations, several parts of the paper-free contracting initiative have a huge positive impact on the financial management of the Department. This is especially true of the expansion of EFT as it is fully integrated across the Department. EFT in itself is not uniquely identifiable in the DoD budget as to be singled out in this section.

#### A.4.1.4. Initiatives which Include a Major Acquisition

None.

#### A.4.1.5. Initiatives Not Addressed in Building Blocks, Financial Operations, nor Acquisition Sections

None.

### A.4.2. *Milestones and measures*

This section identifies the anticipated completion dates (by fiscal quarter) for all major initiatives that will be completed in FY 1999 and FY 2000 and how the Department anticipates gauging the effectiveness of major initiatives.

| Initiative Name and Milestone                           | Milestone Completion Quarter   | Measures of Effectiveness  |
|---|--|--|
| Paper-free Processing of Weapons Systems Contracting    | <ul style="list-style-type: none"> <li>Q2 FY00</li> <li>Q2 FY99</li> <li>Q3 FY99</li> <li>Q4 FY99</li> </ul> | <ul style="list-style-type: none"> <li>All weapons systems contracting is paper-free</li> <li>WAWF Operational</li> <li>EDA Extranet Operational</li> <li>EDA Operational</li> </ul> |
| Reengineering service member household goods processing | <ul style="list-style-type: none"> <li>Q4 FY99</li> </ul>  | <ul style="list-style-type: none"> <li>Assessment of Prototypes and movement into phased implementation</li> </ul>   |
| Redesigning acceptance policies and practices           | <ul style="list-style-type: none"> <li>Q3 FY99</li> </ul>  | <ul style="list-style-type: none"> <li>National Stock Number Review complete</li> </ul>  |
| Reengineer the transportation process                   | <ul style="list-style-type: none"> <li>Q2 FY99</li> </ul>  | <ul style="list-style-type: none"> <li>Assessment of Prototypes and movement into phased implementation</li> </ul>   |
| Creating a paperless DD 250                             | <ul style="list-style-type: none"> <li>Q3 FY99</li> <li>Q4 FY00</li> </ul>                                   | <ul style="list-style-type: none"> <li>Deploy Wide area Workflow</li> <li>25% DD 250 processed electronically</li> </ul>   |
| Purchase Card Program Expansion                         | <ul style="list-style-type: none"> <li>Q1 FY00</li> </ul>  | <ul style="list-style-type: none"> <li>Achieve ninety-percent use of purchase cards for transactions less than \$2500</li> </ul>   |
| Implement Enterprise-wide Supply E-mall                 | <ul style="list-style-type: none"> <li>Q2 FY99</li> <li>Q2 FY99</li> </ul>                                   | <ul style="list-style-type: none"> <li>Complete Inventory of DoD E-catalogs</li> <li>Formalize and distribute technical and acquisition guidelines for integrating DoD</li> </ul>    |

| Initiative Name and Milestone    | Milestone Completion Quarter   | Measures of Effectiveness   |
|----------------------------------|--|---|
|                                  | <ul style="list-style-type: none"> <li>▪ Q3 FY99</li> <li>▪ Q3 FY99/continuous</li> <li>▪ Q3 FY99</li> </ul> | <ul style="list-style-type: none"> <li>catalogs into the E-mall</li> <li>▪ Establish comprehensive implementation schedule for integration of existing and planned E-catalogs into the E-mall</li> <li>▪ Establish/Monitor metrics on DoD E-mall progress</li> <li>▪ Initiate Robust Marketing Plan for DoD E-mall</li> </ul> |
| Deploy the Defense Travel System | <ul style="list-style-type: none"> <li>▪ Q3 FY99</li> <li>▪ Q3 FY01</li> <li>▪ Q3 FY01</li> </ul>            | <ul style="list-style-type: none"> <li>▪ IOC</li> <li>▪ CONUS Implementation</li> <li>▪ OUTCONUS Implementation</li> </ul>  |

### ***A.4.3. Management Structures and Processes***

This section describes how DoD EC planning, investment, implementation, and integration is coordinated across components and functional areas.

#### **A.4.3.1. Management structures and/or processes**

The management structures and/or processes being used to integrate and/or coordinate EC planning, investment, implementation and evaluation across procurement, financial, IT, and program offices are shown below.

The Deputy Secretary of Defense provides centralized policy direction and oversight of the Joint Electronic Commerce Program (JECF) under the DoD CIO. This alignment complements the current CIO role of providing information technology oversight and policy direction to the functional Office of the Secretary of Defense (OSD) Principal Staff Assistants (PSAs) and DoD Components. This alignment also permits EB/EC planning and oversight to become an integral part of the overall information technology plans and programs of the Department.

The Office of the DoD CIO is responsible for promoting vertical and horizontal EB/EC integration and coordination across DoD organizations. This coordination and integration is accomplished using existing OSD staffing mechanisms as well as taking advantage of other crosscutting senior executive processes and functions. The DoD CIO is expected to release the DoD EB/EC Strategic Plan during the second quarter of 1999.

Management processes are incorporated in the coordination and integration processes through interaction with the Department's Chief Financial Officer (CFO) and the Defense Acquisition Executive (DAE) and their support staffs. It is through this integration and coordination that EB/EC planning and initiatives are brought into the vital financial, acquisition, contracting, and logistics processes of the Department. The information technology and management aspects of EB/EC are promoted and put in place through the existing CIO structure of the Department. Management review and oversight also benefits from the direction and skills set forth by the DoD CIO Council.

Similarly, the EB/EC functional perspective is incorporated through the involvement of the OSD PSAs.

The OSD PSAs serve as the DoD functional subject matter experts and owners of the business processes. As the functional owners, the PSAs are responsible for reengineering of their business practices and implementing enabling EB/EC technologies. Functional EB/EC plans will be presented in the DoD EB/EC Strategic Plan. The PSAs are represented on key DoD councils, working groups, integrated process teams (IPTs), and EB/EC standards committees. The PSAs participate fully in the DoD planning, programming, and budgeting process and related decisions and, in many cases, serve as the investment sponsor and overseer.

The Joint Chiefs of Staff (JCS), Military Departments, and Defense Agencies fulfill a vital role in EB/EC and also are incorporated in the CIO's integration and coordination effort. The JCS, Military Departments, and Defense Agencies identify requirements, support the modification of business processes, participate in system development and, in many cases, execute and operate the resulting EB/EC-based application or system. These DoD Components perform operational level EB/EC planning, develop resource profiles, design EB/EC applications, transact EB/EC-based business and operate EB/EC supporting information systems. These DoD Components are full partners in the DoD EB/EC planning process management structure and were principal participants in the development of this DoD EB/EC strategic plan.

The CIO provides oversight for the Joint Electronic Commerce Project Office (JECPO), which enables a close linkage and common vision between the CIO and JECPO staffs. Additionally, the CIO is sponsoring an EB/EC Advisory Council under the CIO Working Council (CWC). The EB/EC Advisory Council will have representation from key stakeholders and advise the CIO Council on matters related to EB/EC. The JECPO fulfills a vital integration and coordination function within the JECPO. The JECPO is responsible for issuing EB/EC strategic implementation direction and guidance to the DoD Components. In addition, the JECPO is charged to design and broker common services for application across the Components as well as provide the functional process owners with business practice improvement support.

#### A.4.3.2. Interagency groups in which the agency participates.

The interagency EC groups in which the DoD participates, the DoD initiatives that are supported through participation in each group, and the steps taken to ensure representation is cross-functional and consistent with the coordinated internal agency management structures and processes described in the previous section are enumerated below.

Electronic Processes Initiatives Committee (EPIC). The EPIC is a committee of the President's Management Council (PMC). The EPIC is comprised of PMC representatives from OMB, DoD, Treasury, Education, and GSA. The EPIC's purpose is to harness interest and latent energy to insure a consistent vision for improving electronic processes support in Electronic Commerce. The EPIC utilizes temporary task forces to address high interest, high return areas: Two of these are the Card Services Task Force and the Buying and Paying Task Force<sup>4</sup>.

A notable initiative from EPIC is the Intra-Governmental Transfer System (IGOTS), which is developing a methodology to integrate Treasury's Plastic Card Network<sup>5</sup> (PCN) agreement and GSA's SmartPay contract to create an electronic mechanism to process intra-governmental payments. The PCN enables government selling activities to accept purchase cards, and SmartPay enables the government to acquire purchase cards to procure goods and services. The DoD initiatives supported through membership in the EPIC are the purchase card, the electronic catalogs, and electronic malls.

The DoD representative to the EPIC is the DoD representative to the President's Management Council (PMC), currently the Chief Financial Officer (CFO). Additionally, a DoD representative serves as chairperson of the Buying and Paying Task Force.

CIO Council. The Federal Chief Information Officers Council is the principal interagency forum to improve the design, modernization, use, sharing, and performance of resources. The Council's role includes: developing recommendations for IT management policy, procedures, and standards; identifying opportunities to share information resources; and assessing and addressing the needs of the Federal Government for an information technology workforce. The standing CIO Council committees are Capital Planning, Education and Training, Interoperability, Outreach, Security, and Year 2000.<sup>6</sup> Additionally the DoD CIO recently formed the Defense CIO Working Council (CWC) to assist with the management and administration of pending CIO issues.

All DoD initiatives are supported through membership in the CIO Council by virtue of the Information Technology Management Reform Act.

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<sup>4</sup> <http://ec.fed.gov/>

<sup>5</sup> <http://www.fms.treas.gov/cardtech/pcn.html>

<sup>6</sup> <http://cio.gov/>

The DoD representative to the Federal CIO Council is the DoD CIO, who, through the DoD CIO Council achieves the cross-functional representation and integration desired as well as the Defense Information Infrastructure (DII) for all initiatives.

CFO Council. The statutory Chief Financial Officers Council is an organization of the CFOs and Deputy CFOs of the 23 major federal agencies and senior officials of the Office of Management and Budget who work collaboratively to improve financial management in the U.S. Government. The CFO Council's mission is to influence the future of the federal government through ethical and effective leadership; serve as a catalyst for constructive change to ensure the integrity of financial information needed for decision making; and measure program and financial performance to achieve desirable results<sup>7</sup>. The DoD representative to the CFO Council is the DoD CFO.

The DoD initiatives supported through membership in the CFO Council are the purchase card, electronic catalogs and malls, and paperless contracting, especially its EFT component.

Procurement Executive Council (PEC). The PEC is the principal forum for the exchange of information concerning procurement among federal agencies. Comparable to the CIO Council and CFO Council, the PEC membership is comprised of the senior acquisition official in the agencies. The DoD representative to the Federal Procurement Council is the Director of Defense Procurement (DDP).

The DoD initiatives supported through membership in the Federal Procurement Council are paperless contracting, the purchase card, and electronic catalogs and malls.

Federal EC Program Office. The Electronic Commerce Program Office (ECPO) coordinates, monitors, and reports on the development and implementation of EC within the Federal Government.<sup>8</sup>

The DoD initiatives supported through membership in the ECPO are card technologies (smart card, purchase card, and others), electronic catalogs and malls, and paper-free contracting (especially EFT). The DoD representative to and co-chairman of the ECPO is the OASD (C3I) EB/EC Executive.

Financial Implementation Team for Electronic Commerce (FITEC). The CFO Council's Financial Systems Committee chartered the Financial Implementation Team for Electronic Commerce in August 1995. The CFO Council's Electronic Commerce Committee now oversees FITEC operations. The objective of FITEC is to increase the use of technology to streamline financial services<sup>9</sup>. The FITEC provides the CFO Council with the means to: directly and effectively support the President's EC initiative; establish common goals for financial EC; provide central leadership and direction for financial EC; address and resolve common financial concerns, problems, and issues relating to EC; and stay informed about and be fully involved with concurrent EC activities.

The DoD initiatives supported through membership in the FITEC are the purchase card, electronic catalogs and malls, and paperless contracting, especially its EFT component.

The DoD CFO has designated a senior level financial electronic commerce official (FECO) to work with FITEC and to coordinate Department/Agency level financial electronic commerce implementation planning and execution.

Inter-Agency Acquisition Internet Council (IAIC)<sup>10</sup>.

The DoD initiatives supported through membership in the IAIC are electronic catalogs and malls and purchase cards.

There are several DoD Components represented on the IAIC. This affords a cross-functional representation and integration.

Smart Card Program Managers Users Group. This is an informal group of Agency Smart Card Mangers hosted by GSA's Office of Smart Card Initiative<sup>11</sup>.

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<sup>7</sup> <http://gopher.financenet.gov/financenet/fed/cfo/cfo.htm>

<sup>8</sup> <http://ec.fed.gov/>

<sup>9</sup> <http://www.financenet.gov/financenet/fed/cfo/cfocrpt.htm>

<sup>10</sup> [http://www.arnet.gov/References/virtual\\_lib\\_5.html](http://www.arnet.gov/References/virtual_lib_5.html)

<sup>11</sup> <http://policyworks.gov/org/main/mt/homepage/mtc/smartgov/cards/managers.html>

The DoD initiative supported through membership in the Smart Card Program Managers Users Group is the smart card.

Although the locus of internal DoD smart card activities is with its Smart Card Technology Office, there are several DoD Components represented on the Smart Card Program Managers' Users' Group. This affords a broad cross-functional representation and integration.

#### A.4.3.3. Steps Being Taken to Achieve Uniform Implementation

The Department has established a set of steps to achieve uniform implementation throughout the Department of these EC initiatives. The Department has used existing EC and EDI systems and infrastructures to implement these steps. The Department-level CIO, financial management, and acquisition councils are examples of these instruments. These Councils each have representation from the Services, key Defense Agencies, and DoD Principal Staff Assistants to ensure that subordinate concerns are voiced and that decisions are promulgated evenly across the Department.

The series of instruments associated with managing the Defense Revolution in Business Affairs and Defense Reform Initiatives also contribute to the uniform implementation of EC initiatives. These instruments include the Quadrennial Defense Review (QDR), the DRIR, the MRMs, the DRIDs, and various *ad hoc*, cross-functional integrated product teams (IPTs). Additionally, JECPO was established from Defense Logistics Agency, Defense Information Service Agency, and Service assets to implement EC initiatives.

The QDR has been adopted as the Defense Strategic Plan required under the GPRA and, therefore, has the force of a Department-wide directive that sets the direction for the entire Department. The DRIR applied the strategy of the QDR in more application-oriented terms. The first chapter of the DRIR is devoted exclusively to Electronic Business Operations. The MRM were OUSD (Comptroller) directed reform initiatives that applied EC solutions to improve the business processes of the entire Department. Many of these initiatives are EC in nature. Similarly, the DRIDs are a series of initiatives from the Deputy Secretary of Defense, many of which apply EC to the operations of the Department.

The IPTs are cross-functional groups, frequently chartered by the Deputy Secretary of Defense, which examine specific areas, many of which embrace EC. As an example, one IPT developed proposals to implement paperless contracting across the Department.

#### A.4.3.4. Responsible Individual

The Deputy Secretary of Defense has established the DoD Chief Information Officer (CIO) as the responsible official for the coordination of all EC initiatives across the Department of Defense.